



State of Hawaii  
Employees' Retirement System

## Information for Prospective Retirees

### Noncontributory Plan

August 2006

	<u>Page</u>
Retirement Eligibility Requirements .....	1
Employees' Retirement System Checklist .....	3
Filing Your Application For Retirement .....	4
Pension Check Information .....	4
Retirement Plan Options .....	6
Estimate Sample .....	7
Additional Service Credit .....	8
Unused Sick Leave .....	9
Ordinary Death Benefits .....	10
ERS Office Locations, Phone Numbers and Website Address .....	11

*This handout offers general information on pre-retirement issues to help you prepare for your retirement. It is not intended to cover all details. You are encouraged to attend a Pre-Retirement Session or to schedule a counseling session at the nearest ERS office when you are ready to file an application to retire.*

This information is available in an alternate format. Please call 586-1735 for information.

## **RETIREMENT ELIGIBILITY REQUIREMENTS**

### **Service Retirement**

#### **Service Retirement - Full**

- Age 62 with at least 10 years of credited service or
- Age 55 with at least 30 years of credited service
- 25 years regardless of age for Sewer workers and Water Safety Officers provided that the last five years prior to retirement is credited in such capacity.
- Graduated retirement regardless of age for Emergency Medical Technicians (Act 199/03) with the following years of credited service (and the last 5) in that capacity:

<u>Years of Service</u>	<u>Retirement Date</u>
27	7/1/2006
26	7/1/2007
25	7/1/2008

#### **Service Retirement - Early**

- Age 55 with at least 20 years of credited service  
(6% age reduction penalty for each year between age 55 and age 62)

#### **Service Retirement - Vested/Deferred: If you leave government employment prior to age 62.**

- Age 65 with at least 10 - 19 years of credited service
- Age 55 with at least 30 years of credited service
- Age 55 with 20 – 29 years of credited service  
(6% age reduction penalty for each year between age 55 and age 62)

## **Disability Retirement**

A person appointed by the Family Court or has durable power of attorney as guardian of an incapacitated employee may file a retirement application on behalf of a disabled employee.

### **Ordinary Disability Retirement**

- 10 or more years of credited service
- No minimum age
- Unable to work due to illness or injury (unrelated to work)
- Employment must not be terminated at the time the application is filed. Employees on "leave without pay" are eligible to apply.
- ERS Medical Board certifies permanent incapacity for the further performance of duty
- Maximum Allowance payable:  $1.25\% \times \text{Years of Credited Service} \times \text{Average Final Compensation}$

### **Service Connected Disability Retirement**

- No minimum service requirement
- No minimum age requirement
- Unable to work due to an injury from an accident on the job (which was not due to willful negligence)
- Application must be filed within two years of the accident or two years from the date worker's compensation benefits cease
- ERS Medical Board certifies permanent incapacity for the further performance of duty
- Maximum Allowance payable:  $35\% \times \text{Average Final Compensation}$

***Note: Unused sick leave credits cannot be used to meet eligibility requirements.***

## EMPLOYEES' RETIREMENT SYSTEM CHECKLIST

<b>15 months or more</b>		
<ul style="list-style-type: none"> <li>Attend a pre-retirement session</li> <li>Contact your own Department of Personnel Office for Schedule</li> <li>An ERS representative will discuss the retirement application process, option selections, and answer any questions</li> </ul>		
<b>12 months</b>		
<ul style="list-style-type: none"> <li>Request a Retirement Estimate (ERS generated estimates cannot be provided earlier than 12 months in advance of your retirement date)</li> <li>Contact the ERS office on Oahu, Hawaii, Kauai or Maui</li> <li>Information needed:                             <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> <li>Name</li> <li>Social Security number</li> <li>Address</li> <li>Birth date</li> </ul> </td> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> <li>Retirement date (definite or tentative)</li> <li>Monthly gross salary</li> <li>Beneficiary name and birth date</li> <li>Any previous service, military, or maternity leaves to be acquired</li> </ul> </td> </tr> </table> </li> </ul>	<ul style="list-style-type: none"> <li>Name</li> <li>Social Security number</li> <li>Address</li> <li>Birth date</li> </ul>	<ul style="list-style-type: none"> <li>Retirement date (definite or tentative)</li> <li>Monthly gross salary</li> <li>Beneficiary name and birth date</li> <li>Any previous service, military, or maternity leaves to be acquired</li> </ul>
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<b>7 months</b>		
<ul style="list-style-type: none"> <li>Request a Retirement Packet</li> <li>Contact the ERS office on Oahu, Hawaii, Kauai or Maui</li> <li>The packet will include retirement forms and instructions for completing them</li> </ul>		
<b>6 months</b>		
<ul style="list-style-type: none"> <li>Schedule a counseling appointment with a Retirement Claims Examiner (RCE)</li> <li>Contact the ERS office nearest you</li> <li>Bring your retirement packet and your spouse (recommended). During the appointment, a Retirement Claims Examiner will help you complete your retirement application; answer any questions or concerns regarding your retirement estimate; and enable you to select the best option for you and your family. Health enrollment form, Spousal/Reciprocal Beneficiary Notification form and tax withholding form will also be completed at this time.</li> </ul>		
<b>Not more than 150 days and not less than 30 days before retirement</b>		
<p><i>NOTE: Retirement date must be the first day of the month except for December, when retirement can be on the first or the last day of the month</i></p> <p>-----</p> <ul style="list-style-type: none"> <li>File your Retirement Application</li> <li>Notarized Applications may be hand-delivered or mailed to the ERS</li> <li>Required personal documents:                             <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <ol style="list-style-type: none"> <li>1) Proof of birth date for you and your beneficiary (for survivor options). (<i>Original documents only. Photocopies not accepted</i>) <b>*NOTE: Substitutions listed below</b></li> <li>2) A bank deposit slip, voided check or account number for <i>electronic deposit of pension checks</i></li> </ol> </td> <td style="width: 50%; vertical-align: top;"> <ol style="list-style-type: none"> <li>3) Medicare card, if applicable, for you and your spouse required by law for <i>integration Health coverage and for Medicare premium reimbursement.</i></li> <li>4) Driver's license or State ID for <i>signature validations</i></li> </ol> </td> </tr> </table> </li> </ul>	<ol style="list-style-type: none"> <li>1) Proof of birth date for you and your beneficiary (for survivor options). (<i>Original documents only. Photocopies not accepted</i>) <b>*NOTE: Substitutions listed below</b></li> <li>2) A bank deposit slip, voided check or account number for <i>electronic deposit of pension checks</i></li> </ol>	<ol style="list-style-type: none"> <li>3) Medicare card, if applicable, for you and your spouse required by law for <i>integration Health coverage and for Medicare premium reimbursement.</i></li> <li>4) Driver's license or State ID for <i>signature validations</i></li> </ol>
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**\*Substitute any two of the following original documents with birth date or age in place of a certified birth certificate:**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>Valid Hawaii Driver's License</li> <li>Hawaii State Identification Card</li> <li>Passport (U.S. or foreign)</li> <li>Marriage Certificate</li> <li>Naturalization Record</li> <li>Voter Registration Record</li> <li>Original Baptismal Certificate/Religious record recorded after age 5</li> </ul> | <ul style="list-style-type: none"> <li>Military Record</li> <li>Hospital Treatment Records</li> <li>Life Insurance Policy</li> <li>School Record (with age)</li> <li>Child's birth certificate (with member's age)</li> <li>Census Record</li> </ul> |
|---|--|

## **FILING YOUR APPLICATION FOR RETIREMENT**

A member can file only three service retirement applications. The first two service retirement applications may be cancelled prior to their effective date; however, retirement is mandatory on the third application.

You must also notify your department to determine your 'close of business' (COB) date as well as your retirement date. Your last day on the payroll is your COB date. Your retirement date must be the 1<sup>st</sup> of the month except December, which can be the 1<sup>st</sup> or the 31<sup>st</sup>. Your COB date and retirement date cannot be the same.

Retirement applications must be notarized. Notary services are provided at all ERS locations at no charge.

ERS must provide written notification of a member's retirement date, option selection, and beneficiary designation to the member's spouse/reciprocal beneficiary.

## **PENSION CHECK INFORMATION**

Make plans to cover expenses for your first four weeks of retirement. Your first pension check will be retroactive to your retirement date and will be mailed to your home 4 weeks after you retire. Your pension amount is based on the option you selected according to the latest estimate provided to you by the ERS. **You are required to have your monthly pension check direct deposited to an account at a financial institution of your choice.**

### Payment

Your first pension check is issued approximately **4 weeks** after your retirement date pending verification of the 'close of business' date (last day on the payroll) with your personnel office. You will receive a monthly pension, which will be paid at the end of the month.

### Final Pension Adjustment

Your estimated pension will be finalized following the receipt and review of your payroll/personnel records, department's audited report of any unused sick leave credits and the amount of your vacation pay. Your pension will be adjusted to an exact amount retroactive to your retirement date.

Effective January 1, 2004, ERS is required to pay 4-½% interest per annum on any retroactive pension amount that may be paid to you if your pension is not finalized within 6 months after the retirement date.

#### Taxation of Benefits

Pension benefits are subject to **Federal taxes** only.

#### Mailing Address Change

**Mailing address changes must be reported in writing** to ensure correct mailing of any correspondence, tax form, and other information.

#### Financial Institution Change

Financial institution changes must also be requested in writing. Change forms are available at all ERS offices or on the ERS website. Please be advised that two pension checks will be mailed to your home before any changes to the financial institution becomes effective.

## RETIREMENT PLAN OPTIONS

One of the most important decisions you will make as you plan to retire is to select your retirement option. Option choices are designed to meet a range of retirement needs and goals. Pension payments continue for the retiree's lifetime for all options. However, **a beneficiary will continue to receive a lifetime benefit** in the event of the retiree's death **only under Options A and B**. It is recommended that you consider your retirement lifestyle, projected expenses, beneficiary concerns and needs to make the best decision for you.

NONCONTRIBUTORY RETIREMENT OPTIONS			
OPTION	RETIREE LIFETIME PENSION	BENEFICIARY BENEFIT In the Event of Retiree's Death	Pop-Up Benefit For Retiree
<b>MAXIMUM ALLOWANCE</b>	Highest Pension Allowance	<u>No lifetime survivor benefit for the beneficiary.</u>	None
<b>OPTION A</b> (50% JOINT Survivor Benefit)	Reduced Pension Amount (depending on ages of both pensioner and beneficiary).	Lifetime survivor benefit of 50% of monthly pension amount and any cumulative post retirement increase.	Converts to the Maximum Allowance upon death of beneficiary.
<b>OPTION B</b> (100% Joint Survivor Benefit)	Reduced Pension Amount (depending on ages of both pensioner and beneficiary).	Lifetime survivor benefit of 100% of monthly pension amount and any cumulative post retirement increase.	Converts to the Maximum Allowance upon death of beneficiary.
<b>OPTION C</b> (Ten-Year Guarantee)	Reduced Pension Amount	The same monthly allowance plus any cumulative post retirement increases for only the balance of the remaining 10-year period after retirement.	None

### Notes:

- Changes in retirement option selections are permissible prior to the effective date of retirement; however, the law prohibits any changes thereafter.
- In the event a member dies after filing a retirement application but before the member's retirement date, or if death occurs within one year of retirement, the designated beneficiary may elect to receive the survivor benefit for the option selected by the member, or the ordinary death benefit (Option B Beneficiary Benefit).\*
- For Options A and B, should a beneficiary predecease the retiree, the retiree's pension will be converted to the Maximum Allowance (**pop-up** feature), instead of remaining at the reduced amount and another beneficiary cannot be named.
- Pensions are increased by 2.5% on the original pension amount each year on July 1, following the calendar year of retirement.

### **Retirement Estimates**

Members may use the retirement calculator available on the ERS web site, which can be found at <http://www4.hawaii.gov/ers> (select Benefits Calculators from the left menu bar). The calculator will provide a reasonably accurate estimate of retirement benefits under all options.

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**\*IMPORTANT NOTICE:** Rule changes affecting 100% joint & survivor retirement options with non-spouse beneficiary.

## SAMPLE ESTIMATE

RETIREMENT DATE

BIRTH DATE

MEMBER'S AGE: 56

MEMBERSHIP DATE

BENEFICIARY

AGE: 56

BENEFICIARY BIRTH DATE

EARNED SERVICE 30 YRS 6 MOS

ACQUIRED SERVICE 1 YRS MOS

UNUSED SICK LEAVE YRS MOS

TOTAL MEMBERSHIP SERVICE 31 YRS 6 MOS

TOTAL COMPUTED SERVICE 30 YRS 6 MOS

\*\*Sick Leave is NOT used in estimate computation. It is included when you actually retire and your estimated pension is finalized

**Average Salary: \$3,000**

RETIREMENT OPTION	<u>MONTHLY PENSION</u>		POP UP TO RETIREE
	RETIREE	BENEFICIARY	
Maximum Allowance	\$1,143.00	None	-----
Option A (50% Survivor)	\$1,093.00	\$546.00	\$1,143.00
Option B (100% Survivor)	\$1,047.00	\$1,047.00	\$1,143.00
Option C (Ten-Year Guarantee)	\$1,130.00	\$1,130.00*	-----



## **ADDITIONAL SERVICE CREDIT**

Members may apply for additional service credit in the following categories prior to retirement. You must file a claim with the ERS before you retire.

### **Military Service**

Any member who rendered honorable active military service in the armed forces of the United States can acquire up to 4 years of membership service for the military service effective July 1, 1989. Any member with:

- 8 years of credited service with the Employees' Retirement System (ERS) can acquire up to 2 years of military service if hired before June 18, 1996. (Act 136/97)
- 10 years of credited service with the ERS can acquire up to 2 years of military service if hired after June 17, 1996.
- 20 years of credited service with the ERS can acquire up to 3 years of military service.
- 25 years of credited service with the ERS can acquire up to 4 years of military service.

Military service in the reserve or National Guard is not considered active military service unless the service occurred in time of war or declared national or state emergency.

A member's military service is considered service in the member's occupation and percentage of full-time equivalence (FTE) at the time the service is credited and provides a corresponding retirement pension. Military service is acquired at no cost.

Note: Detailed information in the Military Service Credit booklet is available upon request.

### **Previous State or County Service**

Previous non-vested service as a member of the Contributory or Noncontributory Plans, which was forfeited after termination, will be acquired on a monthly basis at no cost. Service in this capacity is credited at 1.25% in calculating your retirement benefit.

## UNUSED SICK LEAVE

An employee who retires in good standing with a minimum of 60 or more days of unused sick leave shall be entitled to additional service credit.

Sixty days of unused sick leave would increase the employee's years of service by 3 months; each additional 20 days would provide 1 more month of service credit, as would any balance of 10 or more days. Any remaining balance of less than 10 days would provide no further service credit.

### Examples:

(1) 70 days of unused sick leave meets the requirement of 60 days minimum

<u>70 days</u>	
20 days (1 month)	= 3 months (60 days)
Balance of 10 days	= <u>1 month</u>
Total	= 4 months

(2) 85 days of unused sick leave meets the requirement of 60 days minimum

<u>85 days</u>	
20 days (1 month)	= 4 months (80 days)
Balance of 5 days	= <u>0</u>
Total	= 4 months

After determining the number of unused sick leave days, additional service credit would be calculated as previously specified.

Upon retirement, please notify your department that the audited unused sick leave and vacation forms are needed to finalize your pension.

## ORDINARY DEATH BENEFITS

Eligibility Requirement: At least 10 YEARS OF SERVICE CREDIT

Surviving spouse/reciprocal beneficiary and dependent children are eligible for benefits.

*\*Reciprocal beneficiary status must be established through the Department of Health.*

Spouse or Reciprocal Beneficiary	50% of accrued Maximum benefit or Option B (100% survivor benefit) if member was eligible to retire
Children	10% of accrued Maximum benefit; maximum of 20% if two or more children. If there is no surviving spouse or reciprocal beneficiary, benefits are 20% of accrued Maximum benefit per child maximum of 40% if there are two or more children.
No Spouse or Reciprocal Beneficiary/No Children	No death benefits payable (unless a disability application was filed by the member prior to death designating a beneficiary and selecting an option).

The ordinary death benefit is payable to the surviving spouse until remarriage or the reciprocal beneficiary until marriage or entry into a new reciprocal beneficiary relationship. Dependent children are eligible until their 18th birthday. Ordinary death benefits are payable even if death occurred while on authorized leave without pay. If the member was eligible for service retirement, the surviving spouse or reciprocal beneficiary would receive a lifetime pension under Option B (100% survivor benefit).

Health benefits under the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) or Hawaii State Teachers Association/Member Benefits Corporation Voluntary Employees' Beneficiary Association (HSTA/MBC VEBA) Trust may be provided for surviving spouses and dependent children. Please contact the EUTF at 586-7390 or HSTA at 591-2823 for more information.

Note: Ordinary death benefits are not payable if death occurs while you are a terminated vested member.

BENEFIT FORMULA:  $1\frac{1}{4}\% \times \text{Years of Service} \times \text{AFC} = \text{Maximum Benefit}$

Example:

Member: 45  
Service: 15 years  
AFC: \$2,000/month

$1\frac{1}{4}\% \times 15 \times \$2,000 = \$375$  Maximum (unreduced for age)

Maximum Benefit	-	\$375 per month
Spouse/Reciprocal Beneficiary	-	50% of \$375 or \$187.50 per month
1 Child	-	10% of \$375 or \$ 37.50 per month

If there is no spouse/reciprocal beneficiary, an only child receives the maximum benefit of 20% X \$375 or \$75. If there is more than one surviving child, the maximum benefit of 40% X \$375 or \$150 is divided equally between all of the children.

## **ERS OFFICE LOCATIONS, PHONE NUMBERS AND WEBSITE ADDRESS**

The Employees' Retirement System (ERS) office is located on the corner of Merchant and Alakea Streets on the 14th floor of the City Financial Tower in downtown Honolulu. Validated parking is available in the building. Enter the City Financial Tower parking entrance on Richards Street.

Office hours are from 7:45 a.m. to 4:30 p.m., Monday through Friday (except holidays).

### **OFFICES:**

<b>Oahu</b>	City Financial Tower 201 Merchant Street, Suite 1400 Honolulu, HI 96813  Benefits Branch: 586-1735 Fax: (808) 587-5766
<b>Hawaii</b>	101 Aupuni Street, Suite 208 Hilo, HI 96720  (808) 974-4077 (808) 974-4076 or Toll-free to Oahu @ 974-4000 Ext. 61735
<b>Kauai</b>	3060 Eiwa Street, Room 302 Lihue, HI 96766  (808) 274-3010 or Toll-free to Oahu @ 274-3141, Ext. 61735
<b>Maui</b>	54 S. High Street, Room 218 Wailuku, HI 96793  (808) 984-8181 (808) 984-8282 or Toll-free to Oahu @ 984-2400, Ext. 61735
<b>Molokai/Lanai</b>	Toll-free to Oahu @ 1-800-468-4644, Ext. 61735
<b>US Mainland Only</b>	Toll-free to Oahu @ 1-888-659-0708, Ext. 61735
<b>Website</b>	<a href="http://www4.hawaii.gov/ers">www4.hawaii.gov/ers</a>